

This letter discusses advance trade-ins. See 86 Ill. Adm. Code 130.455. (This is a GIL.)

April 13, 2006

Dear Xxxxx:

This letter is in response to your letter dated October 6, 2005, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We occasionally utilize trade-in tax credits on vehicles that a rental company would, under normal circumstances, pay sales tax. We obtain the trade-in tax credits by purchasing a vehicle from the rental company. However, the rental company may or not have paid sales tax on the vehicle that we purchase from them.

We would like a ruling on the following question.

What are the correct procedures, rules and regulations, and the correct documentation that we would need to follow in order to correctly use an advance trade-in tax credit for a vehicle rental company that may or may not have paid sales tax on the vehicle that was purchased to receive the advance trade-in tax credit?

We would appreciate your assistance you could provide us to the matter.

DEPARTMENT'S RESPONSE

The Illinois Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property to purchasers for use or consumption. The tax is measured by the seller's gross receipts from such sales made in the course of such business. See 86 Ill. Adm. Code 130.101. "Gross receipts" are considered to mean all the consideration actually

received by the seller, except traded-in tangible personal property personal property. See 86 Ill. Adm. Code 130.401 regarding “gross receipts” and 130.425 regarding Traded-In Property. The traded-in item must be of like kind and character as that which is being sold. In addition, we refer you to the Department’s regulations at 86 Ill. Adm. Code 130.455 for guidance regarding Motor Vehicle Leasing and Trade-In Allowances.

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department’s Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
Associate Counsel

MPM:msk